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Letter No. 2317

June 18, 1987

**BRAZIL BUYS
EC WHEAT**

The United States continues to lose ground in the Brazilian wheat market due to a lack of price competitiveness with heavily subsidized French wheat, according to the U.S. Department of Agriculture. Brazil has rejected most U.S. offers of wheat on recent tenders in favor of French wheat, currently priced about \$30 per ton lower than U.S. prices. French wheat sales to Brazil already total 375,000 tons for calendar 1987, compared with past average French sales to Brazil of 50,000 tons annually. The U.S., unlike Canada and Argentina, does not have a trade agreement with Brazil protecting market share, and has consequently been most affected by the French sales.

**EXPORTS
GROWING**

The volume of U.S. exports is rising in response to lower prices, a less expensive dollar, growing foreign demand, reduced foreign supplies, and the Export Enhancement Program, according to the U.S. Department of Agriculture. The export volume in fiscal 1987 is expected to climb more than 15 percent from last year, the first increase in 7 years. Although prices received for most grain and oilseed exports are lower and the value of shipments is down, the value is up for cotton, livestock products, and horticultural products. The value of all exports is forecast about 5 percent above last year, compared with falling values in recent years.

**THIRD WORLD
DEBT LIMITS
TRADE**

The extensive third world debt absorbs foreign exchange that might otherwise be used to import farm products, and it limits prospects for economic development. According to the U.S. Department of Agriculture, the debt situation affects U.S. farmers because many problem debtors had been part of the U.S. fastest growing market for agricultural exports. Problems related to overborrowing are likely to plague the global economy at least into the early 1990's.

**BEEF TO
VENEZUELA**

The U.S. Department of Agriculture has sold to Venezuela 10,000 metric tons--or 22,046,000 pounds--of carcass beef. This sale is part of the 200 million pounds of red meat mandated for export by the Food Security Act of 1985 to minimize the adverse effects of the Dairy Termination Program on U.S. livestock producers. These exports are in addition to historical U.S. beef export levels.

REVIEW OF USSR PURCHASES

The USSR purchased 4 million tons of U.S. wheat this year, compared with only 150,000 tons the year before. Last fall, with its best crop in 8 years, the USSR cut its purchases from the U.S. However, following a dry autumn and a harsh winter, Soviet purchases of U.S. corn began in late February. Offered an Export Enhancement Program subsidy, the Soviets started buying U.S. wheat in late spring. Largely because of the EEP, U.S. exports to Eastern Europe, China and North Africa are also expected to rise in fiscal 1987, according to the U.S. Department of Agriculture.

EXPORT WHEAT SALES

Exports of wheat for the 1986/87 marketing year which ended on May 31, totaled 24 million 558 thousand metric tons, compared to 22 million 314 thousand tons for the 1985/86 marketing year, according to the U.S. Department of Agriculture. This represents an increase of 10 percent above the previous year, but is about one-third below the five-year average.

EXPORT CORN SALES

Sales of corn, grain sorghum, rice and cotton for the current marketing year continue to show upward movements, according to the U.S. Department of Agriculture. Corn already exported for the 1986/87 marketing year which ends Sept. 1 totals 29 million 737 thousand metric tons with 6 million 532 thousand still outstanding sales. This is an increase over the 1985/86 marketing year when the accumulated exports were 27 million 847 thousand metric tons, with 3 million 61 thousand still outstanding sales.

DEVELOPING COUNTRIES BIG MARKET POTENTIAL

In spite of large debts, the fastest developing countries will be the most important growth market for U.S. exports during 1987, according to the U.S. Department of Agriculture. Strong export performance and robust economic growth in Hong Kong, Korea, and Taiwan point to increased demand for imported farm products there. Led by cotton, coarse grains, cattle hides, soybeans and fruit, the value of U.S. exports to these countries could rise 15 percent in 1987.

FARMLAND VALUES STABILIZING

After falling for 5 straight years, U.S. land values showed some stability in early 1987, according to the U.S. Department of Agriculture. Surveys taken since February indicate that the downturn may have been halted. A May 1 survey of rural appraisers and several surveys by Federal Reserve Banks in April noted a leveling in values in areas where values were still falling late last year. As of Feb. 1, 1987, the value of U.S. farm and ranch land averaged \$548 an acre, down from \$595 a year earlier and 33 percent below the 1982 peak of \$823.

HIGH NET INCOME, LOW INTEREST RATES

Optimism about the land market stabilizing stems from expectations of another year of high net cash income and low interest rates. According to the U.S. Department of Agriculture, net cash income is expected to rise mainly because of reduced expenditures and higher Government payments, which will offset lower commodity receipts. Interest costs will decline with reduced farm debt and lower rates. Although interest rates may climb this year, they are below 1986 levels. Higher net cash income and reduced interest rates on farm mortgages will enable more farmers to finance land purchases.

FROM OUR
TELEVISION
SERVICE

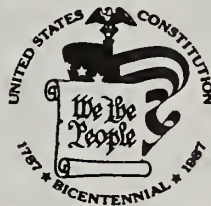
U.S. WEATHER AND CROP UPDATE...The recent hot, humid weather has promoted crop development for farmers. USDA chief meteorologist Dr. Norton Strommen offers the latest weather and crop update for major areas of the U.S. DeBoria Janifer interviews. (216)

WATER SHORTAGES IN THE WEST...Water shortages have been predicted for much of the West this summer because of unusually low snowpack and low precipitation. Bill Fecke, Soil Conservation Service, focuses on how this situation will affect farmers. DeBoria Janifer interviews. (217)

USSR GRAIN SITUATION...Late arrival of spring in the Soviet Union has prompted a reduction in the grain area estimate to 115 million hectares, the lowest since 1959. USDA analyst Keith Severin examines the USSR grain situation and outlook. Vic Powell interviews. (218)

INTEGRATED PEST MANAGEMENT PROGRAM...The U.S. Department of Agriculture will soon begin a five-year demonstration project to combine resources to minimize economic damage from rangeland grasshoppers. Dick Backus, Animal and Plant Health Inspection Serv., describes the Integrated Pest Management Program (IPM) and how it will help provide a long-term solution to this problem. Marlene Stinson interviews. (219)

GRASSHOPPER CONTROL...Grasshopper outbreaks destroy millions of acres of grasslands in the U.S. every year, slowing up plant growth and destroying cover for wildlife. Dick Backus, APHIS, takes a look at efforts by the Department to control this pest. Marlene Stinson interviews. (220)



FROM OUR RADIO
SERVICE

AGRICULTURE USA #1568...(Weekly 13½ min documentary) Most farm programs do cost taxpayers some money, but there are a group of controversial programs that are funded by farmers themselves. They are called Marketing Orders and on this edition of AGRICULTURE USA, George Holmes explores the world of marketing orders.

AGRITAPE/FARM PROGRAM REPORT #1557...(Weekly reel of news features) USDA news highlights; No more leaded fuel?; Farm women as lobbyists; Exports and rural areas.

CONSUMER TIME...(Weekly reel of 2½-3 min features) Is your refrigerator cold enough?; Food competition; Fiber and your health; Olympic buns and Korean purses; Exploding bottles.

USDA RADIO NEWS SERVICE...Wed, June 24, Poultry production; Thurs, June 25, China outlook report; World tobacco situation; Tues, June 30, Crop and weather update, Grain stocks, Ag. prices, Cattle/hogs and pigs numbers. Dial the USDA National News Line 202-488-8358 or 8359. All material changed at 5 p.m. ET each working day.

OFF MIKE

Jim Mills (NAFB Sales/Marketing Director, Herndon, VA) called to report that Doug Rubush is the new farm director at WNAV, Waynesboro, Virginia. Doug was at WSVB, Harrisonburg, VA, until the station revamped its programming. Incidentally, Jim Mills is hobbling on crutches these days. He tore a ligament in his foot. He's still manipulating the keyboard on his computer, but his golf clubs are in storage ... Mike Wiles (KTTS, Springfield, MO) has been named a "Friend of Missouri Beef" by the Missouri Beef Industry Council in recognition for his support and promotion of the beef industry within the state. Our congratulations! ... Feast or famine, that just about describes weather conditions in the San Angelo, Texas. And we learned just how true this has been when we talked with Curt Lancaster (Voice of SW Ag Net, San Angelo) the other day. A little over a year ago, the area finally broke out of an extended drought. Curt reported that in the 13 months since

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then, they've had 51 inches of rain. Everything green is turning yellow because the rain is leaching all the iron out of the alkaline soil ... Current issue of AgriMarketing magazine features farm broadcasting and includes several articles of interest, including one about four media reps and NAFB working together to tell the story of farm radio, complete with photos of the players involved ... Bob Bosold (WAXX, Eau Claire, WI) reports in his newsletter that he will be riding in Marshfield's Dairyfest Saturday parade with Miss Wisconsin. His comment, "I wonder if she's as excited about it as I am?!?!!" (Bob's punctuation.) He also reports he has a new summer farm intern. She is Dianne Deaton, who just completed her sophomore year at University of Wisconsin-Madison ... In case you missed it, NAFB's newsletter CHATS reported Dennis Morrice is the new farm director at KBIZ, Ottumwa, IA. He replaces Ralph Lackey, who moved over to KLEE in Ottumwa as farm reporter ... And Randy Schmitt is the farm director at WKY, Evansville, IN.



JAMES L. JOHNSON, Chief, Radio and Television Division